

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Baton Rouge Community College
Louisiana Community and
Technical College System
State of Louisiana
Baton Rouge, Louisiana

September 19, 2002



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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LEGISLATIVE AUDITOR

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**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

September 19, 2002

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2002

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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September 11, 2002

Independent Auditor's Report
on the Financial Statements

BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of Baton Rouge Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002. These financial statements are the responsibility of management of Baton Rouge Community College. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Baton Rouge Community College as of June 30, 2002, and its changes in financial position, including cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 4 and 13 to the financial statements, the state changed its capitalization policy for fixed assets, and Baton Rouge Community College adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB No. 35, as of July 1, 2001.

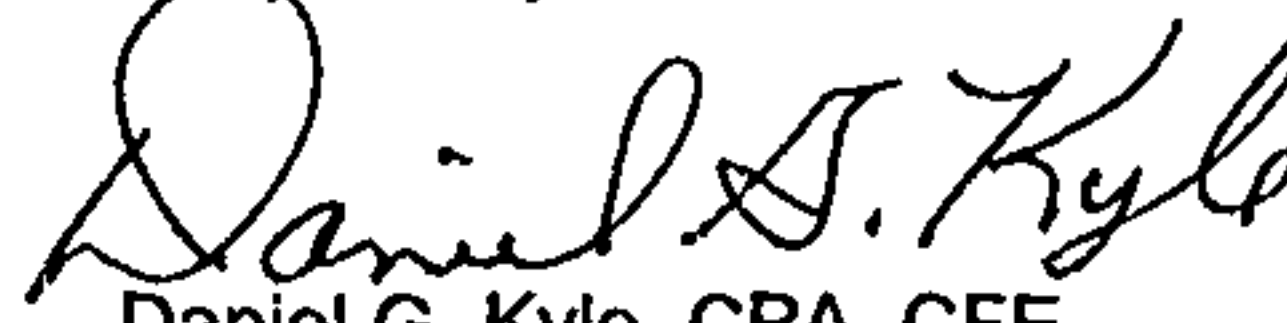
In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2002, on our consideration of Baton Rouge Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDITOR

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Audit Report, June 30, 2002

Management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Daniel G. Kyle, CPA, CFE
Legislative Auditor

LLG:WDD:RCL:dl

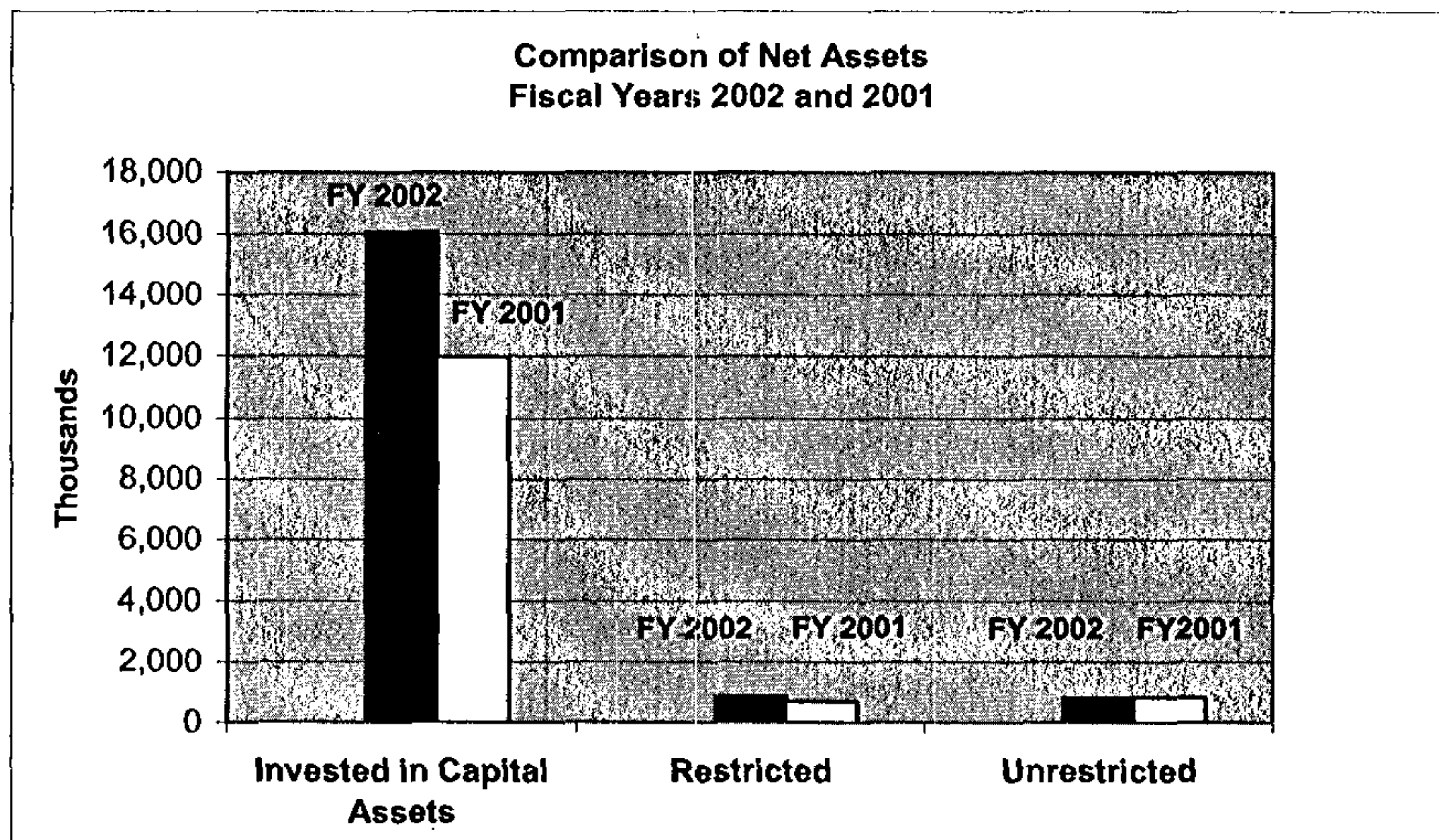
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**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Baton Rouge Community College's (BRCC) annual financial report presents a discussion and analysis of BRCC's financial performance during the fiscal year that ended June 30, 2002. Please read this section in conjunction with BRCC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS



BRCC's net assets overall increased from \$13,452,928 to \$17,702,027 or 32% from June 30, 2001, to June 30, 2002. The overall reason for this change was the construction of a second building on campus.

Enrollment (fall 2000 Headcount to fall 2001 Headcount) changed from 2,577 to 4,180, a change of 62%. The reason for this change is attributed to continuing student growth at BRCC.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

BRCC's operating revenues increased from \$3,174,962 to \$5,225,964 or 65% from June 30, 2001, to June 30, 2002. Operating expenses changed from \$9,767,662 to \$13,204,443 or 35% for the year ended June 30, 2002. The changes in enrollment as discussed previously are the primary reasons for this change.

Nonoperating revenues (expenses) fluctuate depending upon levels of state operating and capital appropriations. The change to \$7,937,690 in 2002 from \$6,884,562 in fiscal year 2001 is attributed to growth in enrollment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: *Management's Discussion and Analysis* (this section), the basic financial statements, the notes to the financial statements, and other supplementary information.

The basic financial statements present information for the college as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page 12) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the college is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 13) presents information showing how the college's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (page 14) presents information showing how the college's cash changed as a result of current year operations. The Statement of Cash Flows is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

The financial statements provide both long-term and short-term information about BRCC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

BRCC's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of BRCC are included in the Statements of Net Assets.

The Statement of Net Assets reports BRCC's net assets. Net assets, the difference between BRCC's assets and liabilities, measure BRCC's financial health or position. The increase in BRCC's net assets during fiscal year 2002 is an indicator of the construction of a second building on campus.

FINANCIAL ANALYSIS

Net Assets

BRCC's total net assets at June 30, 2002, changed by approximately \$4.2 million, a 32% increase over June 30, 2001 (see Table A-1). Total assets increased 32% to \$19.4 million, and total liabilities increased 41% to \$1.7 million.

**Table A-1
BRCC's Net Assets**

	Balance, as of 2002	Balance, as of 2001	Percentage Increase
Current assets	\$3,369,430	\$2,722,222	24%
Capital assets	16,061,031	11,954,579	34%
Total assets	<u>19,430,461</u>	<u>14,676,801</u>	32%
Current liabilities	1,274,220	910,368	40%
Noncurrent liabilities	454,214	313,505	45%
Total liabilities	<u>1,728,434</u>	<u>1,223,873</u>	41%
Net assets:			
Invested in capital assets	16,061,031	11,954,579	34%
Restricted	605,699	513,599	18%
Unrestricted	<u>1,035,297</u>	<u>984,750</u>	5%
Total net assets	<u>\$17,702,027</u>	<u>\$13,452,928</u>	32%

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)**

This schedule was prepared from the college's Statement of Net Assets as shown on page 12, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Significant statement of net asset changes from 2001 include the following:

- Current assets have increased because of receivables for contract training that reflects growth in those programs.
- Capital assets and invested in capital assets have increased because of the construction of a second building on campus.
- Current liabilities have increased because of a significant increase in deferred revenue from fall 2002 registration.
- Long-term liabilities have increased because of increased liability for compensated absences.

The current ratio of assets to liabilities at BRCC is 2:6 at June 30, 2002, which is considered good.

Net assets invested in capital assets consist of capital assets net of accumulated depreciation.

Changes In Net Assets

The change in net assets at June 30, 2002, is approximately \$4.2 million or 32% more than at June 30, 2001. BRCC's total operating revenues increased by 65% to approximately \$5.2 million, and total operating expenses increased 35% to approximately \$13.2 million. The changes in net assets are detailed in Table A-2 and educational and general expenses are detailed in Table A-3.

These increases are the result of substantial growth in enrollment and contract training.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

**Table A-2
BRCC's Statement of Changes in Net Assets**

	Balance, as of 2002	Balance, as of 2001	Percentage Increase (Decrease)
REVENUES			
Operating revenues:			
Student tuition and fees	\$3,913,634	\$2,663,482	47%
Federal grants and contracts	228,068		100%
State and local grants and contracts	904,692	417,826	117%
Sales and services of educational departments	33,046		100%
Auxiliary enterprise revenues	134,079	81,888	64%
Other operating revenues	12,445	11,766	6%
Total operating revenues	<u>5,225,964</u>	<u>3,174,962</u>	65%
EXPENSES			
Operating expenses:			
Educational and general	13,059,830	9,717,564	34%
Other operating expenses	144,613	50,098	189%
Total operating expenses	<u>13,204,443</u>	<u>9,767,662</u>	35%
OPERATING LOSS	<u>(7,978,479)</u>	<u>(6,592,700)</u>	21%
NONOPERATING REVENUES			
State appropriations	7,852,698	6,691,938	17%
Gifts	46,256	48,271	(-4%)
Interest revenue	38,736	144,353	(-73%)
Net nonoperating revenues	<u>7,937,690</u>	<u>6,884,562</u>	15%
INCOME (Loss)	(40,789)	291,862	(-114%)
Capital appropriations	<u>4,289,888</u>	<u>341,818</u>	1155%
INCREASE IN NET ASSETS	4,249,099	633,680	571%
NET ASSETS, BEGINNING OF YEAR	<u>13,452,928</u>	<u>12,819,248</u>	5%
NET ASSETS, END OF YEAR	<u>\$17,702,027</u>	<u>\$13,452,928</u>	32%

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

Nonoperating revenues increased by 15% to \$7.9 million, which is primarily attributable to the construction of a second building on campus. Capital and state appropriations changed from \$7.0 to \$12.1 million because of construction of a second building and an increase in state support to accommodate a substantial growth in enrollment.

**Table A-3
BRCC's Educational and General Expenses**

	Balance, as of 2002	Balance, as of 2001	Percentage Increase (Decrease)
Educational and general expenses:			
Instruction	\$4,957,829	\$3,077,262	91%
Public service	362,891	65,271	456%
Academic support	1,434,851	1,333,833	8%
Student services	976,599	904,743	8%
Institutional support	3,755,451	3,000,468	25%
Operations and maintenance of plant	1,129,938	910,905	24%
Depreciation	442,271	425,082	4%
Total	\$13,059,830	\$9,717,564	34%

Total educational and general expenses changed from \$9,717,564 in 2001 to \$13,059,830 in 2002, the change being primarily attributable to a substantial growth in student enrollment and contract training.

Depreciation expense increased by 4% to \$442,271 as a result of additional property and equipment placed in service in 2002.

Statement of Cash Flows

Another way to assess the financial health of BRCC is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Management's Discussion and Analysis (Continued)

**Table A-4
BRCC's Statement of Cash Flows**

	Balance, as of 2002	Balance, as of 2001	Percentage Increase (Decrease)
Cash provided (used) by:			
Operating activities	(\$7,489,700)	(\$6,310,882)	19%
Noncapital financing activities	7,898,954	7,150,867	10%
Capital financing activities	(258,835)	(820,547)	(-68%)
Investing activities	39,600		100%
Net increase in cash	190,019	19,438	878%
Cash, at the beginning of the year	2,366,951	2,347,513	1%
Cash, at the end of the year	<u>\$2,556,970</u>	<u>\$2,366,951</u>	8%

The major sources of cash provided by operating activities include tuition and fees of \$4,137,713; auxiliary enterprises of \$88,283; and grants and contracts of \$446,108.

The largest source of cash flows from noncapital financing activities is from state appropriations, which totaled \$7,852,698 for fiscal year 2002.

Cash flows from capital financing activities primarily result from purchases of equipment in the amount of (\$258,835).

Cash flows from investing activities result primarily from interest income in the amount of \$39,600.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2002, BRCC had invested approximately \$18,671,992 in capital assets. Net of accumulated depreciation, BRCC's net capital assets at June 30, 2002, total approximately \$16,061,031. This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$4,106,452 or 34% over June 30, 2001. See note 4 to the financial statements for detailed capital assets changes.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA
Management's Discussion and Analysis (Concluded)**

Debt Administration

As discussed in note 9 to the financial statements, the long-term debt of the college is comprised of compensated absences liability of \$478,876.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

- Changes in enrollment (student headcount increased by 62% from fall 2000 to fall 2001)
- Changes in capital appropriations (construction of a new classroom building resulted in a 1,155% increase in capital appropriations over fiscal year 2001)

CONTACTING BRCC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislature, state officials, the Louisiana Legislative Auditor's Office, patrons, and other interested parties with a general overview of BRCC's finances and to demonstrate BRCC's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine Rogers, Associate Vice-Chancellor for Finance, at (225) 216-8040.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2002

ASSETS

Current assets:

Cash (note 2)	\$2,556,970
Receivables, net (note 3)	812,460
Total current assets	<u>3,369,430</u>

Noncurrent assets -

capital assets, net (note 4)	16,061,031
Total assets	<u>19,430,461</u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 5)	901,019
Deferred revenues	348,539
Compensated absences payable (note 9)	24,662
Total current liabilities	<u>1,274,220</u>

Noncurrent liabilities -

compensated absences payable (note 9)	454,214
Total liabilities	<u>1,728,434</u>

NET ASSETS

Investment in capital assets (note 4)	16,061,031
Restricted - expendable (note 12)	605,699
Unrestricted (note 12)	<u>1,035,297</u>
Total net assets	<u><u>\$17,702,027</u></u>

The accompanying notes are an integral part of this statement.

Statement B**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA****Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2002****OPERATING REVENUES**

Student tuition and fees	\$4,811,855
Less allowance for uncollectible accounts	(322,774)
Less scholarship allowances	(575,447)
Net student tuition and fees	<u>3,913,634</u>
Federal grants and contracts	228,068
State and local grants and contracts	904,692
Sales and services of educational departments	33,046
Auxiliary enterprise revenues	134,079
Other operating revenues	<u>12,445</u>
Total operating revenues	<u>5,225,964</u>

OPERATING EXPENSES

Educational and general:	
Instruction	4,957,829
Public service	362,891
Academic support	1,434,851
Student services	976,599
Institutional support	3,755,451
Operations and maintenance of plant	1,129,938
Depreciation	442,271
Other operating expenses	<u>144,613</u>
Total operating expenses	<u>13,204,443</u>

OPERATING LOSS(7,978,479)**NONOPERATING REVENUES**

State appropriations	7,852,698
Gifts	46,256
Interest revenue	<u>38,736</u>
Net nonoperating revenues	<u>7,937,690</u>

INCOME (LOSS) BEFORE OTHER REVENUES

(40,789)

Capital appropriations4,289,888**INCREASE IN NET ASSETS**

4,249,099

**NET ASSETS AT THE BEGINNING OF THE YEAR,
AS RESTATED (note 13)**13,452,928**NET ASSETS AT THE END OF THE YEAR**\$17,702,027

The accompanying notes are an integral part of this statement.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$4,137,713
Grants and contracts	446,108
Payments to suppliers	(3,261,138)
Payments for utilities	(423,485)
Payments to employees	(7,164,028)
Payments for benefits	(1,358,644)
Sales and services of educational departments	33,046
Auxiliary enterprise charges	88,283
Other receipts	12,445
Net cash used by operating activities	<u>(7,489,700)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	7,852,698
Gifts and grants for other than capital purposes	46,256
TOPS receipts	113,763
TOPS disbursements	(113,763)
Net cash provided by noncapital financing sources	<u>7,898,954</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	<u>(258,835)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>39,600</u>
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NET INCREASE IN CASH

190,019

CASH AT THE BEGINNING OF THE YEAR

2,366,951

CASH AT THE END OF THE YEAR

\$2,556,970

**RECONCILIATION OF NET LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating loss	(\$7,978,479)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	442,271
Changes in assets and liabilities:	
Increase in accounts receivable	(458,053)
Increase in accounts payable	201,144
Increase in deferred revenue	161,304
Increase in compensated absences	144,613
Decrease in other liabilities	<u>(2,500)</u>

Net cash used by operating activities

(\$7,489,700)

Noncash and Noncapital Financing Transactions

The college provided noncash scholarships totaling \$575,447.

The college received capital appropriations for construction of buildings totaling \$4,289,888.

The accompanying notes are an integral part of this statement.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2002

INTRODUCTION

Baton Rouge Community College is a publicly supported, state mandated institution of higher education. The college is a component unit of the State of Louisiana, within the executive branch of government. Baton Rouge Community College was enacted under Louisiana Revised Statute (R.S.) 17:3222 and is under the management and supervision of the Board of Supervisors of the Louisiana Community and Technical College System; however, the annual budget of the college and changes to the degree programs, departments of instruction, et cetera, require the approval of the Louisiana Board of Regents of Higher Education. As a state college, operations of the college's instructional programs are funded through annual lapsing appropriations made by the Louisiana Legislature.

The Baton Rouge Community College main campus is located at 5310 Florida Boulevard, Baton Rouge, Louisiana. The college's Frazier Business and Technology Annex is located at 555 Julia Street. The college offers associate degrees in the areas of liberal arts, general studies, applied science in business technology, general science, applied science in process technology, and a certificate in business technology. Student enrollment was 1,281; 4,180; 3,864; 217; and 1,577 for the summer (2001), fall, spring, summer mini-semester, and summer (2002) semesters, respectively, during the fiscal year 2002. The college had approximately 169 full-time faculty and staff and 143 part-time adjunct instructors for the 2001-2002 fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Louisiana, Baton Rouge Community College is required to adopt GASB Statement Nos. 34 and 35, as amended by GASB Statement Nos. 36, 37, and 38. The financial statement presentation required by GASB Statement Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the college's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**
Notes to the Financial Statements (Continued)

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The college is part of the Louisiana Community and Technical College System, which is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) a majority of the members of the governing board are appointed by the governor; (2) the state has control and exercises authority over budget matters; (3) state appropriations provide the largest percentage of total revenues; (4) the state issues bonds to finance certain construction; and (5) the college primarily serves state residents. The accompanying financial statements present information only as to the transactions of the programs of the Baton Rouge Community College.

Annually, the State of Louisiana issues a comprehensive annual financial report, which includes the activity contained in the accompanying financial statements within the Louisiana Community and Technical College System amounts. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the college's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The college has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The college has elected to not apply FASB pronouncements issued after the applicable date.

D. BUDGET PRACTICES

The appropriation made for the General Fund of the college is an annual lapsing appropriation established by legislative action and by Title 39 of the Louisiana Revised Statutes. The statute requires that the budget be approved by the Board of Regents for Higher Education and certain legislative and executive agencies of state government. Budget revisions are granted by the Joint Legislative Committee on the Budget. In compliance with these legal restrictions, budgets are adopted on the accrual basis of accounting, except that (1) depreciation is not recognized; (2) leave costs are treated as budgeted expenditures to the extent that they are expected to be paid; (3) summer school tuition and fees and summer school faculty salaries and related benefits for

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June are not prorated but are recognized in the succeeding year; and (4) carry forward of prior-year funds is recognized as revenue in the current year.

The budget amounts for fiscal year 2001-2002 include the original approved budget and subsequent amendments approved as follows:

Original approved budget	\$10,007,833
Amendments:	
Operation pool distribution	52,736
Increase in funding from Library and Scientific Acquisition Fund	79,238
Faculty pay increase from SELF	173,975
Carryover of unexpended fiscal year 2001 funds	750,000
Increase for additional faculty	600,000
Governor's Information Technology Initiative	250,000
Increase for funding of faculty salary increase	460,756
	<hr/>
Total	<u>\$12,374,538</u>

The other funds of the college, although subject to internal budgeting, are not required to submit budgets for approval through the legislative budget process.

E. CASH

Cash includes cash on hand and interest-bearing demand deposits. Under state law, the college may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the college may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the college's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to building and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and 3 to 10 years for most movable property.

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G. DEFERRED REVENUES

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but are related to the subsequent accounting period.

H. NONCURRENT LIABILITIES

Noncurrent liabilities include estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

I. COMPENSATED ABSENCES

Employees accrue and accumulate annual and sick leave in accordance with state law and administrative regulations. The leave is accumulated without limitation; however, nine-month faculty members do not accrue annual leave but are granted faculty leave during holiday periods when students are not in classes. Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned.

Upon separation of employment, both classified and non-classified personnel or their heirs are compensated for accumulated annual leave not to exceed 300 hours. In addition, academic and non-classified personnel or their heirs are compensated for accumulated sick leave not to exceed 25 days upon retirement or death. Unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer.

J. NET ASSETS

The college's net assets are classified as follows:

(1) INVESTED IN CAPITAL ASSETS

This represents the college's total investment in capital assets, net of accumulated depreciation. The college does not have any outstanding debt obligations related to acquisition, construction, or improvement of those capital assets.

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(2) RESTRICTED NET ASSETS - EXPENDABLE

Restricted expendable net assets include resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

(3) UNRESTRICTED NET ASSETS

Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the discretion of the governing board to meet current expenses and for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the college's policy is to first apply the expense toward unrestricted resources and then toward restricted resources.

K. CLASSIFICATION OF REVENUES

The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

- (1) OPERATING REVENUE** - Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises; and (3) most federal, state, and local grants and contracts.
- (2) NONOPERATING REVENUE** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and state appropriations.

L. SCHOLARSHIP DISCOUNTS AND ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college and the amount that is paid by students and/or third parties making payments on the students' behalf.

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2. CASH

At June 30, 2002, the college has cash (book balances) totaling \$2,556,970. Of this amount, the college has \$650 cash on hand (petty cash) and \$2,556,320 in interest-bearing demand deposits.

Under state law, all deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2002, the college has \$2,686,146 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1) and \$2,586,146 of pledged securities jointly held in the Federal Reserve Bank in the name of the college and the pledging fiscal agent bank (GASB Category 1).

3. ACCOUNTS RECEIVABLE

Accounts receivable are shown on Statement A net of an allowance for doubtful accounts as follows:

<u>Fund</u>	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Statement A</u>
Student tuition and fees	\$302,520	\$300,000	\$2,520
Auxiliary enterprises	105,627		105,627
Federal, state, and private grants and contracts	693,820		693,820
Other	10,493		10,493
Total	<u>\$1,112,460</u>	<u>\$300,000</u>	<u>\$812,460</u>

During the year, the college changed its estimation method for the allowance for doubtful accounts. In the prior year, the college included in the allowance for doubtful accounts those balances that were outstanding for one year or more. In the current year, the college began including those balances that were outstanding for more than 90 days.

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4. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2001	Adjustments	Restated Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Capital assets, not being depreciated:						
Land	\$3,009,260		\$3,009,260			\$3,009,260
Construction-in-progress	301,187		301,187	\$4,289,888		4,591,075
Total capital assets, not being depreciated	3,310,447	NONE	3,310,447	4,289,888	NONE	7,600,335
Capital assets, being depreciated:						
Buildings	9,822,079		9,822,079			9,822,079
Furniture, fixtures, and equipment	2,107,408	(\$1,111,493)	995,915	258,835	\$5,172	1,249,578
Library books	546,793	(546,793)				
Total capital assets, being depreciated	12,476,280	(1,658,286)	10,817,994	258,835	5,172	11,071,657
Less accumulated depreciation for:						
Buildings		(1,756,735)	(1,756,735)	(245,552)		(2,002,287)
Furniture, fixtures, and equipment		(417,127)	(417,127)	(196,719)	(5,172)	(608,674)
Total accumulated depreciation	NONE	(2,173,862)	(2,173,862)	(442,271)	(5,172)	(2,610,961)
Total capital assets, being depreciated, net	12,476,280	(3,832,148)	8,644,132	(183,436)	NONE	8,460,696
Capital assets, net	\$15,786,727	(\$3,832,148)	\$11,954,579	\$4,106,452	NONE	\$16,061,031

The June 30, 2001, balance of capital assets has been adjusted by \$1,111,493 for movable property and \$546,793 for library books to reflect a change in the college's capitalization policy and by \$2,173,862 to recognize accumulated depreciation as of June 30, 2001. The Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) revised its capitalization policy to include only those assets with an original acquisition cost of \$5,000 or more in the balance of fixed assets on which depreciation is calculated. In addition, under OSRAP's revised policy, library collections with a total acquisition cost of less than \$5 million are not capitalized and depreciated. GASB Statement No. 34 requires the recognition of depreciation on fixed assets, resulting in the recognition of accumulated depreciation for prior years.

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5. ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals at June 30, 2002, are as follows:

Vendors	\$377,235
Salaries and benefits	<u>523,784</u>
Total	<u>\$901,019</u>

6. PENSION PLANS

Plan Description. Substantially all employees of the college are members of two statewide, public employee retirement systems. Academic employees are generally members of the Louisiana Teachers Retirement System (TRS), and classified/unclassified state employees are members of the Louisiana State Employees Retirement System (LASERS). Both plans are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. TRS and LASERS provide retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement systems are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974. Generally, all full-time employees are eligible to participate in the systems, with employee benefits vesting after 5 and 10 years of service in the TRS and LASERS, respectively. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. The systems issue annual publicly available financial reports that include financial statements and required supplementary information for the systems. The reports may be obtained by writing to the Teachers Retirement System of Louisiana, Post Office Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446 and/or the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. The contribution requirements of plan members and the college are established and may be amended by the state legislature. The legislature annually sets the required employer contribution rate equal to the actuarially required employer contribution as set forth in R.S. 11:102. Employees contribute 8% (TRS) and 7.5% (LASERS) of covered salaries. The state is required to contribute 13.1% of covered salaries to TRS and 13% of covered salaries to LASERS. The college's employer contribution is funded by the State of Louisiana through the annual appropriation to the college. The college's employer contributions to TRS for the years ended June 30, 2002, 2001, and 2000, were \$322,062, \$228,374, and \$249,650, respectively, and to LASERS for the years ended June 30, 2002, 2001, and 2000, were \$160,616, \$120,662, and \$85,613, respectively, equal to the required contributions for each year.

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Notes to the Financial Statements (Continued)

7. OPTIONAL RETIREMENT SYSTEM

R.S. 11:921 created an optional retirement plan for academic and administrative employees of public institutions of higher education. This program was designed to aid colleges in recruiting employees who may not be expected to remain in TRS for 10 or more years. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants.

The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRS and purchase retirement and death benefits through contracts provided by designated companies.

Total contributions by the college were 13.1% of the covered payroll. The participant's contribution (8%), less any monthly fee required to cover the cost of administration and maintenance of the optional retirement plan, is remitted to the designated company or companies. Upon receipt of the employer's contribution, the TRS pays over to the appropriate company or companies, on behalf of the participant, an amount equal to the employer's portion of the normal cost contribution as determined annually by an actuarial committee. The TRS retains the balance of the employer contribution for application to the unfunded accrued liability of the system. Benefits payable to participants are not the obligation of the State of Louisiana or the TRS. Such benefits and other rights of the optional retirement plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the optional retirement plan totaled \$370,536 and \$225,335, respectively, for the year ended June 30, 2002.

8. CONTINGENT LIABILITIES

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program or by General Fund appropriation. The college is involved in two lawsuits at June 30, 2002, insured by the Office of Risk Management. Any liability resulting from settlement of these cases will be paid by the Office of Risk Management. In addition, the college is involved in three lawsuits that are not insured by the Office of Risk Management. In the opinion of the college's legal counsel, the possibility that the college will incur liability resulting from these cases is remote.

9. COMPENSATED ABSENCES

At June 30, 2002, employees of the college have accumulated and vested annual and sick leave benefits of \$294,860 and \$184,016, respectively, which were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying

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financial statements. The following is a schedule of changes in the liability associated with compensated absences:

Balance as of June 30, 2001	\$334,263
Additions	333,296
Deletions	<u>(188,683)</u>
Balance as of June 30, 2002	<u>\$478,876</u>
Amounts due within one year	<u>\$24,662</u>

10. OPERATING LEASES

For the year ended June 30, 2002, the total rental expenditures for all operating leases, except those with terms of a month or less that were not renewed, is \$173,336. At June 30, 2002, the college has no capital leases or operating leases with future minimum annual rental payments that have initial or noncancelable lease terms in excess of one year.

11. LESSOR LEASES

The college's leasing operation consists of the leasing of property for the purposes of providing bookstore operations to students. The estimated cost, accumulated depreciation, and carrying amount of the college's investment in property on operating leases as of June 30, 2002, is \$141,682, \$13,743, and \$127,939, respectively. These estimated values are based on the ratio of the square footage of the space leased to the total square footage of the building in which the bookstore is located.

The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2002:

<u>Nature of Operating Lease</u>	<u>2003</u>	<u>2004</u>	<u>Total Minimum Future Rentals</u>
Office space	<u>\$25,000</u>	<u>\$2,083</u>	<u>\$27,083</u>

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. These contingent rental payments occur as a result of sales volume. Contingent rentals amounted to \$101,775 for the year ended June 30, 2002.

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12. NET ASSETS

The college had \$605,699 in restricted expendable net assets as of June 30, 2002, as follows:

Academic enhancement fund	\$297,589
Technology fees	190,743
Other grants	60,913
Incumbent Worker Training Program	40,540
Student Government Association	9,661
Scholarships	<u>6,253</u>
Total	<u>\$605,699</u>

The college had \$1,035,297 in unrestricted net assets as of June 30, 2002. Of that amount, the college had the following internally restricted net asset balances:

Building use fees	\$169,480
Vehicle registration fees	<u>83,978</u>
Total	<u>\$253,458</u>

**13. RESTATEMENT OF BEGINNING FUND
BALANCES TO BEGINNING NET ASSETS**

The beginning net assets as reflected on Statement B has been restated to reflect the state's change in ITS asset capitalization policy, the implementation of GASB Statement Nos. 34 and 35 and the reporting of the college as a business-type activity, and correction of errors in the prior report. In previous years, the college reported in accordance with the American Institute of Certified Public Accountants College Guide model. The effect of this change in accounting principle is as follows:

Fund balances at June 30, 2001:	
General Fund	\$561,618
Auxiliary Enterprises	195,232
Restricted Fund	513,599
Unexpended Plant	171,391
Investment in Plant Fund	<u>15,786,727</u>
Total fund balance at June 30, 2001	17,228,567
Account balances affecting net assets at June 30, 2001:	
Accrued summer salaries offset by deferred tuition revenue	47,855
Adjustment for assets not capitalized	(1,658,286)
Accumulated depreciation	(2,173,862)
Correction of prior year errors	<u>8,654</u>
Net assets at July 1, 2001	<u>\$13,452,928</u>

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14. UNEXPENDED APPROPRIATION

At June 30, 2002, the college has unexpended appropriation of \$937,238 in Net Assets - Unrestricted (exclusive of the liability for compensated absences). Act 13 of the 2002 Regular Session provides that any funds that were specifically appropriated for implementation of the United States v. State of Louisiana Settlement Agreement and remain unexpended on June 30, 2002, shall be reappropriated for use by the college for the continued implementation of the agreement.

15. FOUNDATION

The accompanying financial statements do not include the accounts of the Baton Rouge Community College Foundation, Incorporated. This foundation is a separate corporation whose financial statements are subject to audit by independent certified public accountants.

16. DEFERRED COMPENSATION PLAN

Certain employees of Baton Rouge Community College participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of the Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

17. ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries included in Statement B for fiscal year ended June 30, 2002, is \$4,885. No on-behalf payments were made as contributions to a pension plan for which the college is not legally responsible.

18. ALTERNATIVE FINANCING AGREEMENT

On May 16, 2002, the Louisiana State Bond Commission approved the issuance of up to \$65,000,000 in bonds for the purpose of constructing and furnishing new campus buildings and for renovating existing buildings on property adjacent to the college's campus. The Louisiana Government Environmental Facilities and Community Development Authority plans to issue revenue bonds on behalf of the BRCC Facilities Corporation, a nonprofit organization, by December 2002.

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Pursuant to terms of a Ground Lease agreement, the corporation will lease the land and buildings from the Board of Supervisors of the Louisiana Community and Technical College System. The new facilities will be leased by the corporation to the board in accordance with the provisions of an agreement to lease (Facilities Lease). In accordance with the facilities lease, the corporation on behalf of the board will develop, renovate, and construct the existing facilities and new buildings, and lease back the facilities to the board for use by students, faculty, and staff of the college and the Louisiana Community and Technical College System for administrative offices.

Future monies appropriated to the Louisiana Community and Technical College System will be used to fund the annual lease payments. The corporation's annual net debt service payments will be determined when the bonds are issued.

19. SUBSEQUENT EVENT

On June 12, 2002, Dr. Myrtle Dorsey was appointed chancellor with an effective date of September 9, 2002. She replaced Dr. Leana Revell who was appointed interim chancellor when Walter G. Bumphus was appointed interim president of the Louisiana Community and Technical College System on August 8, 2001.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
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September 11, 2002

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of the Financial Statements Performed
in Accordance With Government Auditing Standards

BATON ROUGE COMMUNITY COLLEGE
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Baton Rouge, Louisiana

We have audited the financial statements of Baton Rouge Community College, a college within the Louisiana Community and Technical College System, a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Baton Rouge Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Stipends Improperly Paid to Employees

The Baton Rouge Community College improperly paid stipends, totaling \$22,500, to employees in addition to their regular salaries. The Louisiana Constitution, Article 7 Section 14(A) prohibits the college from loaning, pledging, or donating funds or things of value to any person. The retroactive payment of a stipend for services previously performed may constitute a bonus and violation of the provisions of Article 7, Section 14(A).

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During the year ended June 30, 2002, the college paid stipends to employees for work previously performed as follows:

- In January 2002, the college approved and paid the Dean of Information Technology \$4,000 as a special recognition award for additional work performed between July 2001 and December 2001. The additional duties were related to institutional research, external reporting, and ongoing responsibilities in facilities services and for coordinating the relocation of the college's servers and computer operations over the holiday break in December 2001.
- In January 2002, the college paid the network manager \$1,500 and seven other information technology employees \$1,000 each for work performed during the holiday break to relocate the college's computer operations. Even though the stipends were approved in advance, the employees' time sheets, which certify the actual hours worked, did not include any additional hours for which the stipends were to be paid.
- In December 2001, the college approved and paid the Vice Chancellor of Administration \$5,000 for acting as a consultant on capital projects to several Louisiana Community and Technical College System (LCTCS) chancellors. The college indicated that these consultations began during the fall of 2001. This payment was subsequently reimbursed by the LCTCS.
- In December 2001, the college approved and paid the Executive Assistant to the Chancellor \$5,000 for work relating to a report on LCTCS policies, the LCTCS Leadership Development Institute, the system strategic plan, and other system projects. The college indicated that this work was performed between August 8, 2001, and December 2001. This payment was subsequently reimbursed by the LCTCS.

Management of the college believed that the retroactive payment of stipends for additional work performed was proper, even if approved after the work had already been performed. The retroactive payment of stipends to employees in addition to their agreed-upon salary increases the risk of inappropriate or excessive payments and subjects the college to violation of the Louisiana Constitution. The college should ensure that employees are not retroactively paid stipends or bonuses for services that had previously been performed and compensated. The college should also ensure that employees receiving additional compensation certify the related additional hours worked on their time sheets. Management did not concur with this finding. Management

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provided an opinion from its legal counsel that contends the payments are for additional work and duties (see Appendix A, page 1).

Additional Comments: In the written opinion of the college's legal counsel, he provides information to support the fact that the network manager and seven other information technology employees were paid for additional services. However, our comments relating to these employees did not take exception to this point. Our comments related to the need for contemporaneous records whereby the employees certify to the additional hours worked. Our comments also addressed stipend payments to the Vice Chancellor of Administration and to the Executive Assistant to the Chancellor; however, the response from the college's legal counsel does not address the payments to these employees. As for the payment to the Dean of Information Technology, the college's legal counsel states in his letter that the dean was being compensated for additional duties assigned to her. However, the method used to compensate the dean is subjective as to the amount of the stipend and was approved retroactively. Extra compensation should be based on actual additional hours worked or through a pre-approved temporary or permanent pay raise for additional duties that an individual is performing or anticipates performing.

Lack of Controls Over Movable Property

For the second consecutive year, the Baton Rouge Community College did not maintain adequate internal control over movable property as prescribed by state law. The Louisiana Administrative Code (LAC) 34:VII.307(A) requires that pertinent inventory information for movable property items with an acquisition cost of \$1,000 or greater be reported to the Louisiana Property Assistance Agency (LPAA) within 60 days of receipt. Furthermore, good internal control requires that adequate procedures be in place to ensure that movable property is safeguarded against loss or theft and that the LPAA movable property system user IDs of former employees are deleted timely. At June 30, 2002, the college reports movable property totaling \$3,011,391.

The following deficiencies in internal control were noted:

- Of a sample of 70 movable property items acquired during the year, 16 (23%) were not reported to LPAA within 60 days of receipt. These items were reported to LPAA between 80 and 190 days after receipt by the college.
- On May 24, 2002, the college reported to LPAA that 49 movable property items totaling \$95,563 or 3% of the college's reportable movable property could not be located. These items consist of 7 microscopes, 2 fax

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machines, a television and stand, and 38 items of computer equipment. These items were acquired between May 1997 and December 2001.

- During the year ended June 30, 2002, there were two thefts of computer equipment with total acquisition costs of \$9,104. Included in these thefts were two laptop computers whose acquisition costs exceeded \$1,000 each. These two computers were included in the amount reported to LPAA as unlocated property on May 24, 2002.
- The LPAA movable property system user ID of a former Director of Accounting has not been deactivated. At June 30, 2002, the former employee who resigned in March 2001 still had an active system user ID.

The college's current management has placed additional emphasis on establishing and maintaining controls over movable property; however, sufficient controls were not in place throughout the year to ensure that all acquisitions were reported timely to LPAA and that items were adequately safeguarded against loss or theft. Failure to establish adequate internal control over movable property increases the risk that items could be lost or stolen and subjects the college to noncompliance with state law.

Management of the college should (1) improve physical security over its movable property assets; (2) ensure that all movable property items are located; (3) timely report acquisitions to LPAA; and (4) timely delete LPAA system user IDs of former employees. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 9).

Thefts Not Properly Reported

The Baton Rouge Community College did not notify the Legislative Auditor and the parish district attorney of misappropriations of cash and property. Louisiana Revised Statute 24:523 requires the chancellor of the college who has actual knowledge of any misappropriation of the public funds or assets to immediately notify, in writing, the legislative auditor and the appropriate parish district attorney.

During the year ended June 30, 2002, the college became aware of the following misappropriations of cash and property but did not notify the legislative auditor or the parish district attorney:

- Computer equipment could not be located and was considered stolen. On March 27, 2002, the college discovered that two new laptop computers with total acquisition costs of \$2,752 could not be located.

EXHIBIT A

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
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September 11, 2002

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These computers were received in January 2002, and placed in a storage closet in the college library. In addition, four new desktop computers with total acquisition costs of \$3,760 could not be located. These computers were received in December 2001 and identified as missing during the college's annual property inventory in April 2002. The college determined that these computers were stolen and filed a police report on both thefts.

- On November 12, 2001, cash estimated at between \$300 and \$500 was taken from a collection jar for the United Way located in the college library. The college did not file a police report.
- The college could not locate 44 movable property items with total acquisition costs of \$87,163, while performing the annual movable property inventory. These items were considered stolen and the college submitted a Non-Forced Entry Theft Report to the Louisiana Property Assistance Agency (LPAA) on May 23, 2002, and filed a police report. The two computers discovered stolen on March 27, 2002, were included in the report submitted to the LPAA.
- In early June 2002, library reference books were taken from the college library by members of the college's custodial staff and subsequently sold to an off-campus bookstore. The college's chancellor allowed three custodial employees who admitted to taking the books and selling them to the off-campus bookstore to resign. The college did not pursue criminal charges or file a police report.

The college was unaware of the requirement to notify the Legislative Auditor and the parish district attorney, in writing, once it has actual knowledge of any misappropriation. Failure to notify the legislative auditor and parish district attorney of any misappropriation increases the likelihood that actions to recover the misappropriated funds or assets will not be taken and that responsible persons will not be identified and reported to law enforcement authorities.

The college should notify the legislative auditor and the parish district attorney, in writing, as soon as it becomes aware of any misappropriation. In addition, the college should actively pursue criminal charges when possible and file a police report on all misappropriations. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 10).

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Baton Rouge Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters described below involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Baton Rouge Community College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Established Purchasing Procedures Not Followed

The Baton Rouge Community College did not follow established purchasing procedures when purchasing furniture and equipment for the college's new classroom building. Funds for these purchases were included as a part of the capital outlay appropriation for the building and will be paid by the Division of Administration, Office of Facility Planning and Control. The college's established procedures over purchasing require that all purchase orders are prepared by the college's purchasing officer, comply with applicable purchasing regulations, are approved by the accounting office, and recorded in the college's accounting records.

On May 30, 2002, the college's Vice Chancellor for Administration prepared and signed nine facsimile purchase orders for furniture and equipment totaling \$275,740. These purchase order forms were generated by the Vice Chancellor for Administration and are not officially approved standard forms of the college. In addition, the purchase orders were not prepared or processed by the college's purchasing officer, were not approved by the accounting office, and were not recorded in the college's accounting records.

In early June 2002, the college's purchasing officer and accounting office first became aware of these purchases when equipment items were delivered to the college. The purchasing officer contacted the individual vendors and issued standard college purchase orders using established purchasing procedures. At that time, it was determined that the total prices included on the nine facsimile purchase orders prepared by the Vice Chancellor for Administration were \$23,116 higher than the applicable state contract prices. Because the reissued purchase orders were prepared using the corrected contract prices, the proper contract amounts will be paid to the vendors.

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The Vice Chancellor for Administration was unfamiliar with the procedures to be followed by agencies when purchasing furniture and equipment for capital outlay projects. Those procedures require agencies to process purchase orders using established purchasing procedures and to submit purchase orders and invoices to the Division of Administration, Office of Facility Planning and Control for payment.

Failure to follow established purchasing procedures increases the risk that unauthorized items may be purchased; that the lowest prices may not be obtained; and that furniture and equipment may be lost or stolen. The college should ensure that employees are aware of and adhere to the established procedures for purchases of furniture and equipment. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 11).

**Inappropriate Access to the Accounting
Information System**

For the second consecutive year, the Baton Rouge Community College has not established adequate internal control for the assigning and monitoring of access given to users of the college's accounting information system. An adequate system of internal control should provide that users are assigned business-need-only access to data files and functions and that a user's access is disabled timely when he/she terminates employment.

In a test of application controls over the college's accounting information system, the following deficiencies in controls over access to the system were identified:

- The college's Assistant Director of Human Resources has the capability to enter employee time and attendance information into the college's payroll system, which is incompatible with her job function.
- The college's financial analyst whose primary responsibilities involve movable property and budget can perform the following incompatible functions: (1) generate a purchase order; (2) enter a new vendor in the system; (3) process changes to purchase orders; and (4) process journal vouchers.
- The college's accounting specialist has the capability to generate a purchase order and process changes to purchase orders, which are functions incompatible with her job function.

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- Six former employees still have an active system user access code. These employees terminated between one and nine months before June 30, 2002.

The college has not placed sufficient emphasis on establishing controls over access to the accounting information system. Failure to establish adequate controls increases the risk that transactions could be processed without proper authorization or approval and that errors or fraud could occur and not be detected timely.

The college should establish internal control over system access to ensure that access granted to users is limited to a business-need-only basis and that a user's access is disabled when he/she terminates employment. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 12).

Lack of Controls Over the Collection of Fees

For the second consecutive year, the Baton Rouge Community College did not establish adequate controls over the collection of student fees for the college's Workforce, Corporate, and Continuing Education (WCCE) division courses. An adequate system of internal control would include procedures to ensure that fees collected are recorded in the accounting records and reconciled to the students enrolled for each class.

During the fiscal year ended June 30, 2002, the bursar's office on the main campus collected all fees for WCCE classes. The bursar's office cashiers collected fees and completed registration forms from students and issued manual receipts for payment. The fees and registration forms were given to the college's budget director who recorded the student name, class name, and amount received on a separate spreadsheet. The budget director then prepared a voucher to record the fees in the college's accounting records and prepared a bank deposit slip. A copy of the spreadsheet was given to WCCE division personnel at the Frazier campus who entered the student names and class in the college's enrollment system.

The following deficiencies in internal control over the collection of fees were noted:

- The college did not reconcile the fees received by the bursar's office to the amount recorded on the spreadsheet maintained by the budget director, or the amount recorded in the accounting records, or to the actual class enrollment.

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- At June 30, 2002, the college's general ledger includes WCCE fees of \$52,742, while the net fees recorded on the budget director's spreadsheet totaled \$59,243. The college could not explain the difference of \$6,919. In addition, an analysis of enrollment system data for the WCCE classes, including the number of students enrolled in each class and the applicable class fee indicated that fees totaling approximately \$46,374, should have been assessed. The college was unable to explain the \$6,368 difference between the amount of fees based on class enrollment and the amount recorded in the general ledger.

The college did not place sufficient emphasis on controls over collection of fees for the WCCE classes. Failure to establish adequate controls increases the risk that fees collected may not be properly recorded in the accounting records and that students enrolled may not pay the appropriate fee.

The college should establish procedures to ensure that fees collected for classes are recorded in the accounting records and reconciled to actual class participants. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 14).

Additional Comments: In its response, management provides an explanation of the difference between the amount of fees based on class enrollment and the amount recorded in the general ledger. However, as a result of not incorporating a timely and periodic reconciliation into its internal control, management could not provide this explanation when it was originally requested by us. It was only after our request for this explanation that management made the attempt to reconcile the totals.

Bank Accounts Not Properly Reconciled

For the second consecutive year, the Baton Rouge Community College has not properly reconciled the college's operating and payroll bank account balances to cash reported in the financial statements at June 30, 2002. Good internal control requires a reconciliation of the bank account balances to the accounting records (book balances). The bank reconciliation provides management with a basis to ensure that all transactions affecting the bank accounts and the accounting records are in agreement. At June 30, 2002, there is an unreconciled difference of \$22,617 between the cash reported in the financial statements and the general ledger (book balance). In addition, the college made adjusting journal entries to the general ledger each month for a cumulative net reduction of \$11,130 to cash for unreconciled differences between the general ledger and the bank balance.

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During the year, the college's accounting staff attempted to reconcile the bank account balances to the accounting system's cash fund trial balance. However, cash recorded in the cash fund trial balance did not agree to total cash reported in the financial statements. Management was unable to provide an explanation for the discrepancy. There were also instances where accounting staff could not specifically identify differences between the general ledger and the bank balance, and then adjusted the general ledger cash balance to make it agree to the bank balance.

Failure to properly reconcile the bank accounts to the accounting records used to prepare the college's financial statements could lead to the misappropriation of funds or fraud and increases the risk that assets could be lost or misused and not be detected timely.

The college should ensure that the bank account balance is properly reconciled to the accounting records used to prepare the college's financial statements. Any unreconciled difference should be investigated and corrected timely. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 8).

Payroll Subsidiary Ledger Not Reconciled

The Baton Rouge Community College did not reconcile the college's payroll subsidiary ledger to the general ledger. An adequate system of internal control should include a periodic reconciliation of payroll expense and related liabilities recorded in the payroll subsidiary ledger to amounts recorded in the general ledger.

At June 30, 2002, the payroll expense and liability for the year recorded in the payroll subsidiary ledger total \$8,580,312 and \$3,385,488, respectively, while the payroll expense and liability recorded in the general ledger total \$8,536,183 and \$3,366,834, respectively. The college's accounting staff could not explain the differences of \$44,129 and \$18,654. Failure to reconcile the payroll subsidiary ledger amounts to the general ledger increases the risk that payroll expense may not be properly recorded in the general ledger and that unauthorized, inappropriate, or duplicate payments may occur and not be detected timely.

Management of the college should establish procedures for the periodic reconciliation of the subsidiary payroll ledger amounts to the college's general ledger. Management concurred in part with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 7).

LEGISLATIVE AUDITOR

**BATON ROUGE COMMUNITY COLLEGE
LOUISIANA COMMUNITY AND
TECHNICAL COLLEGE SYSTEM
STATE OF LOUISIANA**

Compliance and Internal Control Report

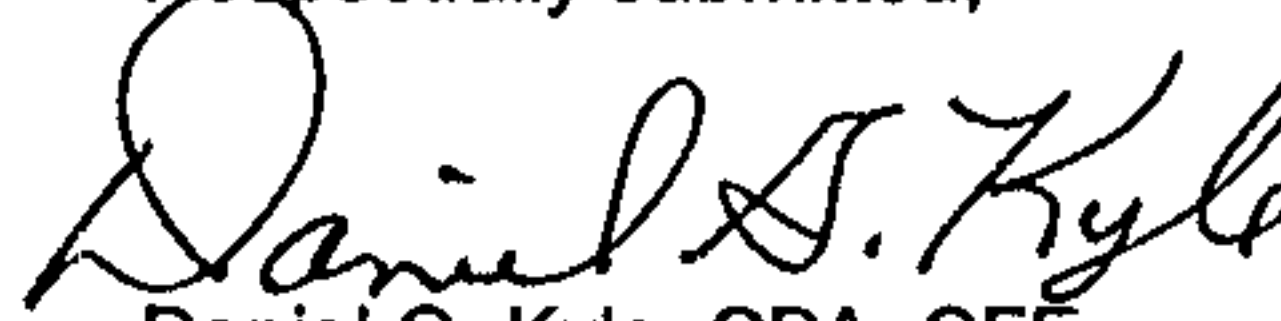
September 11, 2002

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described previously are material weaknesses.

This report is intended solely for the information and use of the Baton Rouge Community College and its management and is not intended to be, and should not be, used by anyone other than these parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

LLG:WDD:RCL:dl

[BRCC02]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Office of the Chancellor

September 11, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College does not concur with the finding and recommendations related to the finding "'Stipends Improperly Paid to Employees".

Based upon the response of legal counsel (attached), it is the opinion of the management of Baton Rouge Community College that compensations paid to staff for additional work and duties were appropriate.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Myrtle Dorsey", is written over the typed name and title.

Dr. Myrtle Dorsey
Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor

BREAZEALE, SACHSE & WILSON, L.L.P.

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JAMES E. TOWNS, JR.
PAUL M. HERBERT, JR.
W. R. MANTAL, JR.
ARTHUR E. REYNOLDS, JR.
MURPHY J. FOSTER, III
DAVID R. CANNON
ROBERT T. BROWNE
CHRISTINE LINSY
DAVID R. KELLY
ROBERT L. ATKINSON
DAVID M. CHARLTON
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EMILE C. ROLES, III
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JOHN C. BURKAVICH
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LEO C. HAMILTON
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H. PAYNE BREAZEALE (1886-1980)
VICTOR A. SACHSE, JR. (1903-1979)
MAURICE J. WILSON (1919-1988)
HOLMES P. BREAZEALE, JR. (1920-1979)

RALPH T. BARAJAN	YVONNE L. ROLLY
SCOTT N. HENSEN	MANNVILLE F. BROWN
MELISSA M. SHIBUY	MICHAEL P. FRUCHT
LANCE J. KINCHIN	PETER A. KOPFINGER
A. TERRY CARSON	WENDE B. LAMM
TARA L. FUTO	JOHN M. MADISON, III
BEN B. HU	VAN R. MANTAL, III
THOMAS R. TEMPLE, JR.	LAUREN S. COHEN
JOHN T. ANDRISAK	BRENT P. FREDERICK
JEFFREY C. VALCHIAN	REBECCA J. BECKER
	CAITIE A. EVANS

BOARD CERTIFIED ESTATE PLANNING AND ADMINISTRATION SPECIALIST
BOARD CERTIFIED FAMILY LAW SPECIALIST
MASTER OF LAWS IN TAXATION
BOARD CERTIFIED TAX ATTORNEY
RECOGNIZED IN TEXAS
MASTER OF LAWS IN ADMINISTRATION
MASTER OF LAWS IN ENERGY AND ENVIRONMENTAL
RECOGNIZED IN MISSISSIPPI

September 10, 2002

Dr. Daniel G. Kyle
OFFICE OF THE LEGISLATIVE AUDITOR
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Audit Response Concerning Baton Rouge Community College:
Backpay for Performance of Additional Work
Agency Number 612
BS&W File No.: 56/8982/30724

Dear Dr. Kyle:

The following explanation and accompanying documentation is submitted in response to your inquiry regarding the validity of authorization for the payment of a "stipend" to certain employees of Baton Rouge Community College ("BRCC").

Initially, the immediate problem appears to be semantic, i.e., BRCC's designation of compensation for the additional services, over and above required duties, as "a stipend". The term suggests an invalid, gratuitous payment to these employees. That is not the case. The facts, as will appear below, clearly show that a situation existed at BRCC which required the administration of BRCC to ask the exempt, professional employees of BRCC's Division of Technology to perform additional duties during a holiday period, between December 21, 2001 and December 31, 2001; that the duties to be performed were outside of the regular duties of those employees; that a responsible BRCC administrator certified to the actual performance of the work by the designated employees; and that the decision to provide financial compensation, as opposed to compensatory time, was reasonably intended to provide a cost saving to the State and to adequately compensate the employees for the value of the services performed.

Determination of Needed Assistance by Information Technology Staff:

The BRCC Division of Information Technology provides instructional support for the College. Generally, this means that the staff of that unit insures the reliability of the computer hardware and software for continued classroom instruction. As evidenced by the Memorandum, of December 19, 2001, from Mable J. Moore, BRCC's Dean of Informational Technology, to Dr. Leana Revell, BRCC's Interim Chancellor, the administration of BRCC decided to move its data center to the state police complex to address problems identified in operational support for the Division of Information Technology. (Exhibit No. 1). The problems identified included, security concerns, air conditioning problems, and availability of space.

Prior to the commencement of the move, Moore explained, within the Memorandum, that the services needed to accomplish this task were outside of the job scope of the Information Technology staff. The task included equipment relocation, relocation, reconnection, and equipment testing prior to first week in January, 2002. Further, Moore explains that the only time which the task could be performed without causing serious problems to the College was during the Christmas holiday recess. The memo further establishes that the urgency of the situation and the inability to get a commitment for holiday service from a contractor compelled the use of her staff to complete the task. A projected time table was submitted, estimating that the job could be accomplished within "five-six (12-hour days)".

Decision to Award Financial Compensation:

Attached is a memorandum, dated December 19, 2001, from Moore to Dr. Walter Bumphus, System President, Dr. Leana Revell, Interim Chancellor, BRCC, and Dr. Brent Knight, Vice-Chancellor Administration, showing that Dr. Bumphus and Dr. Revell indicated to Moore in their December budget and planning meeting that they would like to provide financial compensation to the Information and Technology staff for the additional services to be performed during the additional duties to be performed during the Christmas holidays. (Exhibit No. 2).

Dr. Bumphus and Dr. Revell will certify that their decision to provide financial consideration to the employees, as opposed to compensatory time, was based upon these considerations: (1) the exempt employees of the Information Technology Division regularly accumulated extensive compensatory time; (2) allowing the accumulation and use of compensatory time might create additional problems for coverage once the Information Technology move was completed; BRCC administration could arrive at a value for the services to be performed which would provide acceptable compensation to the exempt employees for the additional work; overtime payment to the non-exempt employees could be achieved at straight time; and the total cost of providing financial consideration to the staff would have a lessor impact on the BRCC budget than the cost of contracting-out the same services and the proposed payments would fit within the approved budget.

Services Were, In Fact, Performed by the Employees:

As evidenced by the documents listed as Exhibit No. 3, the BRCC Data Center was successfully moved, prior to the commencement of the Spring semester, in January 2002. Moreover, as evidenced in Exhibit No. 4, Moore has certified to the number of hours worked by each exempt employee of the BRCC Division of Information Technology.

Moore's determination that the Services to be Performed by her Exempt Staff is Supported:

Within Exhibit No. 1, Moore explains that the services to be performed are "not within the job scope: of her staff. As evidenced by Exhibit No. 5, the job duties of employees that she certified as having performed duties related to the move of the Data Center, generally, extend to: monitoring whether or not the information system, programs on the PC's, or the server are operating properly; determining whether or not malfunctions have occurred in the computer labs preventing continuous instruction; performing diagnostic procedures to determine whether hardware problems exist; correcting problems which occur in internally developed software; and applying manufacturer recommended corrective measures to externally developed software. None of the duties outlined within Exhibit No. 1 fall within those job duties.

Lack of Prior Approval:

Employees of the Louisiana Community and Technical College System were under the authority of other management boards, prior to July 1, 1999. Consequently, the employees of the various components of the System remain covered by the rules and regulations of the previous management board, until such time as the Board adopts a rule and/or regulation which addresses a particular circumstance. The administration of BRCC was unaware of any rule and/or regulation of the LCTCS which addressed the assignment of additional duties to its employees. Absent such rule, the administration assumed that PS-43, of the Policies and Procedures of the LSU System was applicable to the situation. That confusion regarding the applicable policy, rule and/or regulation caused BRCC administration to believe that approval of the LCTCS Board was not necessary prior to implementing the process of assigning the employees to additional duties and compensating them thereafter (See Exhibit No. 6).

Additionally, the belief that urgency was required to resolve the Data Center matter, prior to commencement of the Spring 2001 semester, caused BRCC administrators to act hastily. However, the administrators certify that they, at all times, acted in good faith belief that they were in compliance with applicable State law and applicable rules and regulations. As evidenced by all internal memorandum submitted for your review, including the electronic correspondence attached as Exhibit No. 7, discussions were maintained among Division of Information Technology staff, BRCC administration and LCTCS administration throughout the effort to move the BRCC Data Center.

Stipend for Dean of Information Technology:

While the duties performed by Mable Moore, during the move of the BRCC Data Center, must be viewed as falling within the parameters of the duties outlined within Exhibit No. 8, hereof, the administrators of BRCC, assigned duties to her, for a short period of time, which were not included within the duties of Dean of Information Technology.

In accordance with notice to Chancellor Walter Bumphus from Beulah Clark, Dean of Institutional Research and Planning, in mid-July, 2001, of her intent to resign her position in August 2001, Dean Moore was asked to temporarily perform additional duties previously assigned to Dean Clark, as noted within Exhibit No. 9. Dean Moore was asked, at the same, to performed certain duties previously assigned to and performed by Dr. Brent Knight, Vice Chancellor for Finance and Administration, regarding Facilities Services. The duties were assigned for the period of July 2001 through December 2001.

Those duties included:

For Institutional Research and Planning:

- (1) Designing and implementing an assessment program to meet state requirements;
- (2) Developing and maintaining an appropriate data base for the College;
- (3) Developing licensure reports and other reports requiring college-wide information requested by state agencies;
- (4) Designing and implementing a HEGIS/IPEDS reporting system and supervising submission of HEGIS/IPEDS reports and other responses to requests for information from external agencies;
- (5) Responding to requests for data by the Chancellor, Deans, faculty, staff, students, and external agencies; and,
- (6) Providing professional consultation to the Chancellor, Deans, faculty, and staff in areas of research design, measurement, evaluation and statistical analysis as requested. See Exhibit No. 10).

For Facilities Services:

- (1) Assume the direct, day-to-day supervision of the Director of Facilities Operations; and,

- (2) Provide leadership in the selection, installation, implementation and maintenance of suitable administrative systems to properly carry out the business and administrative functions of the College. (See Exhibit No. 11).

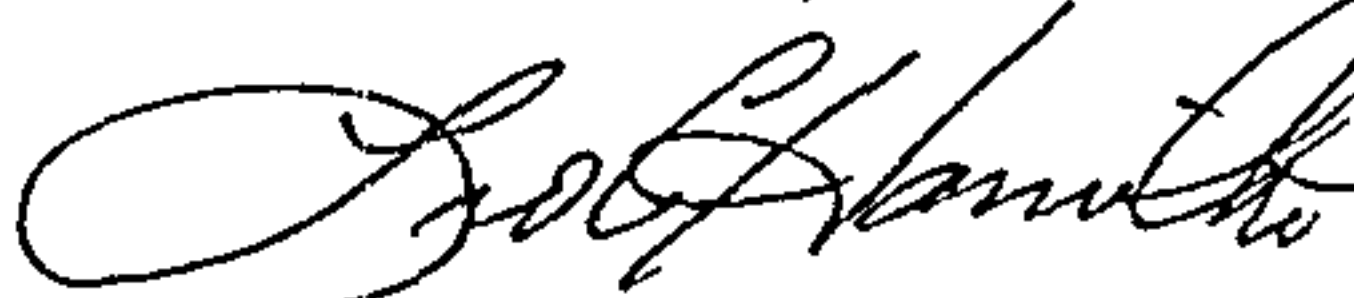
Dr. Beulah Clark provided Dr. Bumphus with official notice of her resignation, on July 31, 2001. Dean Clark requested that she be allowed sufficient time to complete assigned projects, prior to her resignation. Her resignation became effective August 1, 2001.

The administration at BRCC was convinced that the additional duties described above, coupled with the commendable effort demonstrated by Dean Moore in assisting BRCC to avert a serious problem for the College exceeded the duties of her employment position. Consequently, the decision was made to compensate her for the additional services performed during the designated period. If your office determines that the additional compensation awarded to Dean Moore does not fall within the parameters of State law, BRCC welcomes your direction in the proper method to reward an employee for exemplary performance, over and above the duties prescribed for her employment position, in what can only be described as a period of transition.

In conclusion, we believe that BRCC have clearly shown that the decision by Dean Moore and BRCC administration to assign existing staff to perform the duties incidental to moving the BRCC Data Center was fiscally sound, under the circumstances. Further, the duties performed by Dean Moore's exempt, professional staff were outside the duties regularly prescribed for the positions which the staff held. Additionally, we submit that BRCC has presented sufficient information to document the dates that the services were performed by the named staff members and the amount of time worked by each.

Very truly,

BREAZEALE, SACHSE & WILSON, L.L.P.



Leo C. Hamilton

LCH/jy/440948

Exhibits



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

September 8, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Payroll Subsidiary Ledger Not Reconciled."

The Dean of Finance was hired February 2002 and by April 2002, had hired two new staff members. It was at that time that it was discovered that there were problems associated with feeding payroll documents to the payroll subsidiary ledger (PSL).

Management of Baton Rouge Community College recognized the importance of reconciling the PSL and had taken corrective action on the payroll period of June 15-28, 2002. Since that time, the PSL has been reconciled as each payroll is processed.

Action taken:

- Assigned responsibility to another employee.
- Worked with the Dean of Information Technology to determine if problems were system related.
- Clarified roles of each staff members and assigned responsibility and accountability.
- Trained responsible staff.
- Continuous follow-up by the Associate Vice Chancellor of Finance to insure that all steps are taken to reconcile the PSL.

The Dean of Finance and the Associate Vice Chancellor of Finance are responsible for insuring the reconciliation of the PSL.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Dr. Leana Revell
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

September 8, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Bank Accounts Not Properly Reconciled."

Management of Baton Rouge Community College recognizes the importance of reconciling the bank account. New management and new staff have prioritized this task to insure the monthly reconciliation of the bank accounts. The Office of Accounting and Finance worked diligently to identify, correct and properly remove invalid items some of which are prior to the 2001-02 Fiscal Year. Management has taken action to utilize the accounting system's bank reconciliation process and services from host bank to provide tools for the successful reconciliation of the bank accounts.

The Dean of Finance and the Associate Vice Chancellor of Finance are responsible for insuring the reconciliation of the bank accounts.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Dr. Leana Revell
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 20, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Lack of Controls Over Movable Property."

Management of Baton Rouge Community College recognizes the importance of controlling the movable property of BRCC. In April 2002 BRCC hired a Financial Analyst whose primary responsibility is supervising the movable property function of the institution. This individual carried the responsibility of the Coordinator of Movable Property until late May 2002 when a second person was hired whose primary responsibility is controlling movable property. Since these two individuals were hired, a complete inventory has been conducted. All items unaccounted for have been reported to LPAA. It is management's opinion that most items "not found" may have existed since 1998. LPAA has certified Brick's inventory for 2001-02. With the new controls and personnel in place, it is felt that inventory is under good management. The Dean of Finance and the Associate Vice Chancellor will insure the adherence of the controls.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Leana Revell, Ed.D.
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 20, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs with the finding and recommendations related to the finding "Thefts Not Properly Reported."

Management of Baton Rouge Community College recognizes the importance of proper reporting of thefts. The Chancellor, Director of Security, Financial Analyst and the Coordinator of Movable Property are now aware of Revised Statute 24:523 that requires the College to report in writing, to the Legislative Auditor and the parish district attorney any misappropriations of public funds and property.

The Director of Security is responsible for reporting to the appropriate agencies. To assist the Chancellor and to insure awareness of revised and new statutes, the Dean of Finance and the Associate Vice Chancellor will identify and monitor sources that will yield information regarding the management, safeguarding and reporting of any misappropriations of public funds and property.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Leana Revell, Ed.D.
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 20, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs with the finding and recommendations related to the finding "Establish Purchasing Procedures Not Followed."

Management of Baton Rouge Community College recognizes the importance of following established purchasing guidelines. The Vice Chancellor of Administration has been fully apprised of the purchasing guidelines and understands the importance of their existence. The Office of Chancellor will be responsible for the adherence of the purchasing policy by the Vice Chancellor.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

Leana Revell
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

August 19, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Inappropriate Access to the Accounting Information System."

Management of Baton Rouge Community College recognizes the importance of controlling access to the accounting system. BRCC has put forth great effort to insure that access is granted to individuals on a "need to do the work" basis. The Finance and the Human Resources staff developed access and responsibility matrixes to grant and request access for specific duties and responsibilities. At the same time attention was paid to insuring that separation of duties prevented any breach of internal controls. As new staff was hired it was necessary to continue to shift duties to match skill sets. During redefinition of job responsibilities, it appears that some access may have been inappropriate to the job.

The Management of the College places strong emphasis in insuring that this does not occur in the future. For these areas, the Dean of Finance and the Director of Human Resources are responsible for the management of Accounting Information System. The Associate Vice Chancellor and the Vice Chancellor, respectively, are the first level supervisors and will approve and monitor all requests for access to the Accounting Information System. The Director of Information Technology will control entrance access and change access to the System by use of Computing Services Request Form. Only the Director or Assistant Director of Information Technology can authorize this access.

To address the finding of inactive employees still have active system user access code, Management has reinforced the process whereby the Director and/or the Assistant Director of Information Technology, signs the employees clearance exit form. This form is used to inform Human Resources that an inactive employees has returned all property belonging to BRCC. Information Technology will use this form as notification to deactivate the system access code.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Leana Revell". The signature is fluid and cursive, with the first name "Leana" written in a larger, more prominent script than the last name "Revell".

Leana Revell, Ed.D.
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor



5310 Florida Boulevard, Baton Rouge, LA 70806

Office of the Chancellor

September 3, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

Management of Baton Rouge Community College concurs in part with the finding and recommendations related to the finding "Lack of Controls Over the Collection of Fees."

Management of Baton Rouge Community College recognizes the importance of controlling the collection of fees. To insure the accurate collection and recoding of fees the Office of Accounting and Finance, the Office of Workforce and Continuing Education (WCCE) and the department of Information Technology will work toward the automation of the WCCE database to connect directly to the general ledger. The projected completion date of the modification is Fall 2002.

There is a difference of \$6,368 more in fees collected on the general ledger than is reported on the WCCE database. Analysis of the non-credit tuition account reveals that six transactions were erroneous deposited (documentation attached). The transactions are:

- \$ 90.00 proctoring exam
- 90.00 consumer credit counseling services testing
- 3375.00 LEAP tutorial contract
- 1500.00 Lewis donation for computer
- 1125.00 LEAP tutorial contract
- 90.00 proctoring exam

TOTAL \$6,270.00

This leaves a general ledger balance of \$46,472, a difference of plus \$98.00.

Dean of Finance and the Vice Chancellor of WCCE are responsible for the reconciliation of WCCE fees collected and the reconciliation report will be forwarded to the Associate Vice Chancellor by the 15th of each month.

If you have any questions or need additional information regarding our response, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Leana Revell". The signature is fluid and cursive, with a large initial "L" and a stylized "R".

Leana Revell, Ed.D.
Interim Chancellor

C: Ms. Jan Jackson, LCTCS
Mr. Allen Brown, Director of Internal Auditor